

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 804 – HB 937

April 2, 2013

SUMMARY OF ORIGINAL BILL: Prohibits the state from establishing, facilitating, implementing, or participating in any new expansion of the medical assistance program, also known as the Medicaid program, pursuant to the Patient Protection and Affordable Care Act, Public Law 111-148, as amended (the Act), as interpreted by the United States Supreme Court in *National Federation of Independent Business v. Sebelius*, to be unconstitutional when applied to the states as a mandatory expansion.

FISCAL IMPACT OF ORIGINAL BILL:

Forgone State Revenue - \$418,207,600/TennCare/FY13-14
\$1,000,100,900/TennCare/FY14-15

SUMMARY OF AMENDMENT (005948): Deletes all language after the caption and reinserts the enacting clause. Prohibits the Governor from making any decision or obligating the state in any way with regard to the expansion of the medical assistance program, also known as the Medicaid program, pursuant to the Patient Protection and Affordable Care Act, Public Law 111-148, as interpreted by the United States Supreme Court in *National Federation of Independent Business v. Sebelius*, to be unconstitutional when applied to states as a mandatory expansion, unless authorized by the General Assembly.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increased State Expenditures – Not Significant

Other Fiscal Impact - The fiscal impact of the bill cannot reasonably be quantified due to several unknown factors including whether the General Assembly will authorize the Governor's choice to expand Medicaid coverage and when such authorization might occur. According to the Bureau, if the state chooses not to expand Medicaid coverage eligibility then the state will forego federal match revenue of \$418,207,600 in FY13-14 and \$1,000,100,900 in FY14-15.

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Assumptions for the bill as amended:

- Title II, § 2001(a)(1) of the Act (42 U.S.C. § 1396a(a)(10)(A)(i)(VIII)), requires expansion of Medicaid coverage eligibility to adult individuals under the age 65, who are not pregnant or disabled, with income that does not exceed 133 percent of the federal poverty level (138% with the mandatory 5 percent income disregard). Under the Act, if a state chose not to expand coverage, then the state would not be compliant with 42 U.S.C. § 1396a and could lose Medicaid funding pursuant to 42 U.S.C. § 1396c.
- The United States Supreme Court held that the mandatory expansion of the population groups eligible for Medicaid coverage is unconstitutional in *National Federation of Independent Business v. Sebelius*. If a state chooses not to expand the state's Medicaid coverage to the newly eligible expansion population group, then the state will not jeopardize Medicaid funding for coverage of individuals eligible under federal law prior to enactment of the Act for that reason.
- Title II, § 2001(y) of the Act (42 U.S.C. § 1396d(y)), increases the Federal medical assistance percentage (FMAP) applied to spending by states that expand Medicaid coverage eligibility to the expansion population with respect to medical assistance provided to that population. In federal calendar quarters 2014, 2015, and 2016 the increased FMAP will be 100 percent.
- According to the Bureau of TennCare (the Bureau), if Medicaid coverage eligibility is expanded in Tennessee, then there would be approximately 144,500 newly eligible TennCare enrollees in FY13-14 and approximately 161,900 newly eligible TennCare enrollees in FY14-15.
- The fiscal impact of the bill cannot reasonably be quantified due to several unknown factors including whether the General Assembly will authorize the Governor's choice to expand Medicaid coverage and when such authorization might occur. According to the Bureau, if the state fails to expand Medicaid coverage eligibility then the state will forego federal match revenues of \$418,207,600 in FY13-14 and \$1,000,100,900 in FY14-15.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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